

Restore Direct Care Worker Wages

Proposal: Restore funding for direct care worker wages that are now funded with one-time-only (OTO) funds. This proposal restores the level of funding to 2009 levels. This funding should be included in the Senior and Long Term Care Division base budget.

Why is this important? The majority of long term care service expenditures are for direct care workers wages and benefits, under normal circumstances significant reductions in provider reimbursement rates generally give provider agencies few options for absorbing cuts other than to reduce the compensation package for their direct care employees in some way. However, the fact that the legislature also appropriated OTO funding for direct care wages enabled most provider agencies to temporarily avoid the reductions in employee compensation that normally would have occurred as a result of the 2% cut in reimbursement. Unfortunately, the fact that the money for direct care worker wages is an OTO appropriation that is scheduled to expire at the end of this biennium means that reductions in employee wages will almost certainly have to occur in FY 2014 if the appropriation is not renewed in some form. In addition, if these wage funds are part of the base budget making them more certain, businesses providing LTC services will be more inclined to increase wages than to merely use the funding for lump sum payments. Ultimately, better wages will help with worker retention, currently a significant problem.

Background: The 2011 Montana Legislature approved an OTO appropriation that was intended to enable providers of Medicaid long term care services funded through the Senior and Long Term Care Division (SLTCD) to maintain wages and lump sum payments to their direct care employees. The funding for direct care employee raises and payments in fiscal years 2012 and 2013 did not represent an increase in compensation to these workers, but was appropriated to maintain the level of compensation appropriated by the 2009 legislature for this purpose. However, the amount was reduced by about 40% in the Governor's amendments to HB2, so the amount appropriated did represent a cut in compensation to some workers. In addition, the direct care worker funding was accompanied by a corresponding 2% rate reduction for the same providers of Medicaid long term care services that employ the direct care workers who were targeted for increased pay. The general fund appropriation for the direct care worker compensation was approximately \$3.3 million for the biennium, about \$2.1M less than what was appropriated the previous biennium. The 2% service provider rate cut reduced the general fund appropriation for SLTCD Medicaid long term care services by about \$2.2M for the biennium. Thus the employers of these workers experienced an overall 2% rate reduction and also received \$2.1M less for their workers. On July 1, 2013, \$3.3M in general fund in addition to the federal matching funds for worker wages will be cut unless reinstated during the 2013 legislative session.

Direct Care Worker Compensation General Funds

